SOLUTION OVERVIEW

ADP Unemployment Compensation Management Services

ADP Unemployment Compensation Management (UCM) helps employers minimize risks, improve controls, reduce administrative burdens and optimize state unemployment insurance tax savings.
The Federal-State Unemployment Insurance Program provides unemployment benefits to eligible workers who are unemployed through no fault of their own (as determined under state law) and meet other eligibility requirements of state law.

- Unemployment insurance payments (benefits) are intended to provide temporary financial assistance to unemployed workers who meet the state’s eligibility requirements.
- Each state administers a separate unemployment insurance program, following the guidelines established by federal law.
- Eligibility for unemployment insurance, benefit amounts and the length of time benefits are available are determined by the state law under which unemployment insurance claims are established.

State Unemployment Insurance (SUI) began in 1935 in response to the Great Depression. Unemployment benefits are intended to provide short-term income for people who are out of work through no fault of their own and are able and available for full-time work. Benefits are not intended for people who voluntarily quit, are discharged for misconduct, retire or otherwise voluntarily withdraw from the workforce without good cause. Unemployment insurance (UI) benefits, although administered by the various states, are 100% employer funded. When a claim is filed and the claimant is found eligible, the state agency will charge either the SUI experience rate or the benefit amounts directly to the reimbursing employer. Employers pay payroll tax quarterly into an unemployment insurance account or, if a nonprofit reimbursing employer, pay dollar for dollar the amount collected in benefits by each claimant.

**Employer Burden and Accountability**

Employers are responsible for auditing their unemployment accounts for benefit charge errors. According to the U.S. Department of Labor (Calendar Year 2009 Benefit Accuracy Measurement Data Summary), on average, 9.28% or $7.1 billion of all unemployment benefits were paid to former employees in error. These errors in overpayment resulted in higher charges to employers and in turn, higher unemployment costs. Many of these excess charges were caused by late responses or erroneous and unreported benefit earnings and income, including social security, severance pay, vacation pay and separation issues.

**Employers face internal challenges:**

- Increasing claim volume
- Overburdened staff faced with multiple tasks
- Inconsistencies caused by a decentralized environment
- Lack of resources and unemployment claim expertise
- Inadequate training in the light of ever-changing regulations
- Ineffective management of unemployment claims leading to increased state unemployment insurance costs

**ADP UNEMPLOYMENT COMPENSATION MANAGEMENT SERVICES**

ADP UCM Services helps businesses reduce and control UI claim costs and stay in compliance with changing state regulations.

**Objectives:**

- Assist in controlling and reducing unemployment costs
- Offer a partnership approach for successful risk management
- Reduce your internal administrative burden
- Maximize your ROI

ADP UCM Services is made up of four distinct parts: consultation and training, claims administration, auditing and reporting.

**Consultation and Training**

Throughout the claims administration and auditing process, your account manager, claim service representative and hearings specialist offer insight and advice regarding the unemployment process and the varied regulations put in place by state agencies. This team is available to discuss best practices and to give advice on matters like pre-separation counseling and performance of the UCM Services. ADP provides newsletters, legislative updates, training workshops and customized training based on your business needs.

**Claims Administration**

ADP assumes the responsibility for completing and filing all unemployment claims, appeals, protest and related correspondence. Wherever possible, ADP will change the address of record so that claims, appeals and charges are sent directly to ADP, thus expediting the claim response process.

**Appeal Administration**

Effective claims administration is the best way to reduce UI benefit charges and minimize your SUI costs. Upon receiving a claim for benefits, the ADP UCM process will use your payroll data to gather basic employment information and wage details. In the instance where a claim for benefits should be protested (discharge for misconduct, etc.) we’ll reach out to a contact you designate to gather separation documents such as disciplinary notices, exit interviews, resignation letters, etc. ADP will formulate a response [protest] to the state agency with all pertinent information within the statutory timeframe.

Once a claim is protested, the agency will issue a notice of determination. If the determination finds that your tax account will be liable for benefit payment, we again reach out to your contact to discuss the merits of the appeal. If an appeal is desired, ADP will process the appeal paperwork.

When a notice of hearing is received, ADP will reach out to your contact to arrange for hearing preparation. During the preparation, one of our hearing specialists will review your case in detail, coordinate an interview with witnesses and prepare all documentation and exhibits necessary to form a defense on your position. The ADP UCM hearing specialist will then appear at the hearing with your witness to represent your interest.
Once the hearing is concluded, a decision will be issued by mail. If the hearing decision finds that your tax account will be liable for benefit payment, we will communicate with the state agency to discuss the merits of a board of review appeal. If an appeal is appropriate, the ADP UCM specialist will process the paperwork. There will be no additional hearings in most cases.

Audits
As part of ADP UCM Services, we assume responsibility for auditing all benefit charges and monitoring all credits to ensure that your company is charged only for eligible claims.

- **Benefit Wage Audit** – ADP will respond to most agency requests for wage details in order to determine if an individual collected unemployment benefits for which they were not entitled.
- **Benefit Charge Audit** – ADP reviews all benefit charges received for claimants and charged against your unemployment accounts. Any overcharge condition discovered is reported to the state agency with request to modify or entirely remove benefit charges.
- **Tax Rate Audit** – ADP reviews each of your annual tax rate notices for correctness. The factors used to determine tax rates include the taxable wages, benefit charges paid out, contributions paid in, penalty items, jurisdiction-specific rates or fees, industry classifications, etc. ADP will notify the state agency of any error condition that is discovered and request a corrected rate as appropriate. You will be notified of the outcome of this audit, any errors and rate revisions received.
- **Contribution Analysis** – Several states offer what is termed as a Voluntary Contribution or VC. The VC allows employers to make an additional contribution in order to “buy-down” their unemployment tax rate. ADP reviews each opportunity and generates a recommendation as to whether the additional contribution payment will be beneficial in terms of lowering the tax rate.

Reporting
With instant and secure Web-based access to their unemployment information, ADP UCM reports provide clients with their unemployment activity data such as the number of separations, claims filed, claims protested and decisions and can be filtered according to corporate hierarchy. The reports help management identify trends and ensure that the UI service is working to its full capacity:

- Unemployment Activity Analysis
- Status of Unemployment Claims
- Summary of Unemployment Charge Errors
- Annual Tax Reports/Summary Tax Savings

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<tr>
<th>Features</th>
<th>Benefits</th>
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<tr>
<td>Seamless back office integration</td>
<td>Eliminate time-consuming duplication of efforts – Seamless integration with ADP Payroll, TAX Services and third-party HR and payroll systems.</td>
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<td>Complete claims management</td>
<td>Concentrate on core business activities – ADP UCM Services relieves staff of non-productive tasks.</td>
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<td>Consulting and training</td>
<td>Reduce unemployment insurance exposure – ADP provides the necessary training to help your supervisors and managers develop best practices to ensure that unemployment claim exposure is limited and minimized.</td>
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<td>Expert hearing consultation and representation</td>
<td>Maximize ability to prevail in unemployment hearings – ADP will prepare you for unemployment hearings as well as provide expert hearing representation.</td>
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<td>Comprehensive auditing</td>
<td>Ensure benefits and tax costs are kept to a minimum – ADP’s extensive auditing process ensures that errors are caught and credits are issued, avoiding improper UI benefit charge liability.</td>
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<td>Unemployment claims reporting</td>
<td>Identify trends, establish accountability and better control – Web-based reporting provides key unemployment claims processing results.</td>
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ADP UCM expertise can relieve employers of the complex and time-consuming tasks of unemployment insurance, freeing staff to concentrate on core business activities.